

Message Text

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ACTION EUR-12

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PARIS ALSO FOR USOECD

E.O. 11652: N/A
TAGS: EFIN, NL
SUBJECT: DUTCH FINANCE MINISTER COMMENTS ON PROPOSED EUROPEAN
MONETARY SYSTEM

1. IN AN INTERVIEW HE INITIATED, FINANCE MINISTER
ANDRIESSEN TOLD A REUTERS REPORTER JULY 14 THAT EUROPEAN
MONETARY SYSTEM MIGHT HELP PROVIDE MORE STABILITY IF THERE
IS REAL COOPERATION BETWEEN EUROPE AND U.S. HE CHARACTER-
IZED BREMEN SUMMIT AS A STEP FORWARD TOWARD EUROPEAN
MONETARY STABILITY FOLLOWING GENERAL DISAPPOINTMENT WITH
FLOATING EXCHANGE RATES. HE SAID FRENCH AND GERMANS HAD
BEEN UNABLE TO SAY PRECISELY HOW THEIR PROPOSED SYSTEM
WOULD WORK; CONSEQUENTLY THE DUTCH STRONGLY FAVORED CONTINU-
ATION OF THE CURRENT JOINT EUROPEAN FLOAT. HE SAID DUTCH
WANT TO KNOW FAR MORE ABOUT HOW THE SNAKE WOULD BE
COORDINATED WITH THE NEW SYSTEM AND HE THOUGHT IT WOULD BE
RATHER OPTIMISTIC TO EXPECT THE NEW SYSTEM TO BECOME
OPERATIONAL IN JANUARY 79. HE BELIEVED ACCEPTANCE OF
SUCH A SYSTEM WOULD REQUIRE A COMMITMENT BY THE
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EUROPEANS TO BRING MORE CONVERGENCE IN THEIR UNDER-
LYING ECONOMIC TRENDS ESPECIALLY REGARDING INFLATION
RATES. HE ALSO THOUGHT THE SYSTEM COULD ONLY WORK
IF THERE WERE FIRST A REAL AND OBSERVABLE EFFORT TO
ACHIEVE MORE CONVERGENCE OF ALL THE PARTICIPATING
ECONOMIES INCLUDING STIMULATING RECOVERY. HE NOTED
THAT DUTCH CONTRIBUTION TOWARD GENERAL RECOVERY WOULD

INCLUDE INCREASED BUDGET DEFICITS IN 1978 AND 1979
AND STIMULATING DEMAND IN 1979 BY A \$1.8 BILLION
REDUCTION IN TAX PAYMENTS AND SOCIAL SECURITY CONTRI-
BUTIONS.

2. ANDREISSEN SAID THE DUTCH WERE QUITE CONCERNED ABOUT
PROSPECT THAT UTILIZATION OF POOLED NATIONAL CURRENCIES
MIGHT CREATE ADDITIONAL LIQUIDITY WITHOUT ASSURANCE
THAT ADEQUATE CONDITIONS AND DISCIPLINE WOULD BE UNDER-
TAKEN. TO KEEP SUCH RISKS TO A MINIMUM AND TO INSURE
THAT POOLED FUNDS WOULD BE UTILIZED TO ACHIEVE DESIRED
ADJUSTMENT AND ECONOMIC CONVERGENCE, HE FAVORED CONSUL-
TATION AND SOME FORM OF CONDITIONALITY.

3. HE SAID HE SAW NO NEED AT PRESENT TO NARROW PRESENT
SNAKE INTERVENTION MARGINS. HE ADDED THAT HE WAS
NOT AWARE OF ANY "CONCRETE PERCENTAGES" FOR MARGINS
AROUND CENTRAL RATES UNDER THE PROPOSED NEW SYSTEM.
HE THOUGHT MARGINS WOULD HAVE TO BE NARROWED OVER A
LONG PERIOD BEFORE ANYTHING APPROACHING THE DESIRED
UNITARY EUROPEAN CURRENCY COULD EMERGE.

4. COMMENT: DUTCH HAVE LONG BEEN SUPPORTERS OF
FULLER EUROPEAN INTEGRATION. IN JULY 1976 WHEN THEY
CHARIED EC COUNCIL, DUTCH UNSUCCESSFULLY FLOATED
THEIR OWN "DUISENBERG" PROPOSAL TO BRING WEAKER
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EUROPEAN CURRENCIES INTO A BROADER BANDED JOINT FLOAT.
THEY APPEAR NOW TO BE TAKING AN AD REFERENDUM STANCE
TOWARD FRANCO-GERMAN PROPOSAL PARTLY TO ELICIT MORE
PRECISE DETAIL, PARTLY TO ASSURE CONTINUED STRENGTH
OF GUILDER, AND PARTLY TO SERVE NOTICE THAT THEY
INTEND TO HAVE SOME INFLUENCE ON ANY SYSTEM THAT
EMERGES.
BROWN

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